

APPENDIX

Internal Revenue Code:

SEC. 1800. IMPOSITION OF TAX.

There shall be levied, collected, and paid, for and in respect of the several bonds, debentures, or certificates of stock and of indebtedness, and other documents, instruments, matters, and things mentioned and described in sections 1801 to 1807, inclusive, or for or in respect of the vellum, parchment, or paper upon which such instruments, matters, or things, or any of them, are written or printed, the several taxes specified in such sections. (26 U. S. C., Sec. 1800.)

SEC. 1802. CAPITAL STOCK (AND SIMILAR INTERESTS).

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(b) *Sales and Transfers.*—On all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to any of the shares or certificates mentioned or described in subsection (a), or to rights to subscribe for or to receive such shares or certificates, whether made upon or shown by the books of the corporation or other organization, or by any assignment in blank, or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale (whether entitling the holder in any manner to the benefit of such share, certificate, interest, or rights, or not) * * *. (26 U. S. C., Sec. 1802.)

Treasury Regulations 71 (1932 ed.):

ART. 31. *Basis of tax.*—Sales or transfers of stock, either before or after issuance of a certificate, or of rights to subscribe for or to receive such stock, are taxable. The tax accrues at time of making the sale or agreement to sell or memorandum of sale, or delivery of, or transfer of the legal title to, stock, or to the right to subscribe for or to receive such stock, regardless of the time or manner of the delivery of the certificate or agreement or memorandum of sale.

As used in this chapter the term "sale" or "transfer" includes any of the transactions or dealings in stock, or in rights to subscribe for or to receive stock, which are subject to the tax imposed under Schedule A-3, except where from the context it is clear that a different meaning is intended. As to the use of the term "stock" see article 25.

ART. 34. *Sales or transfers subject to tax.*—The following are examples of transactions subject to the tax:

(a) The sale or transfer of shares of stock, whether or not represented by certificates.

(b) The transfer of stock to or by trustees.

(c) The transfer of voting trust certificates.

(d) The sale or transfer of temporary or interim certificates.

(e) The sale or transfer of certificates or shares representing beneficial interests in an association. See article 125 (1) (d).

(f) The transfer of the interest of a subscriber for stock, however such interest may be evidenced or conditioned upon further payments.

(g) The transfer of the right to subscribe for stock, whether or not evidenced by warrants.

(h) The transfer of the right to receive a stock dividend already declared.

(i) The transfer or surrender of stock to a corporation, for the purpose of the corporation, whether or not it intends eventually to sell such stock.

(j) The sale or transfer of stock, made by a broker, directly or indirectly, for himself.

(k) The sale or transfer of stock by a broker at a price different from that at which he accounts to his selling customer.

(l) The transfer of stock in pursuance of a gift, bequest, or conveyance by trustees.

(m) The transfer of stock from parties occupying fiduciary relations to those for whom they hold stock.

(n) The transfer of stock by an administrator or executor to the legatee or distributee.

(o) The transfer of stock on the books of a domestic corporation, regardless of where the sale is made or the stock certificates delivered.

(p) The sale or transfer within the territorial jurisdiction of the United States, of stock of a foreign corporation.

(q) The transfer of stock of a corporation to be merged to the merging corporation prior to the actual merging and as a condition precedent to the merger.

(r) Upon a merger, the transfer of stock owned by a corporation which is merged into another corporation from the name of the first to the name of the second corporation, such a transfer being effected by

the act of the parties and not wholly by operation of law.

(s) The transfer of the right to receive stock which a corporation has unconditionally agreed to issue.

(t) The transfer of legal title to stock irrespective of whether or not the transferee receives any beneficial interest therein, except as provided in article 35 (k).

(u) Transfer of stock from old firm to new firm succeeding to its business where personnel is different.

(v) Transfer of stock from a firm to individual members thereof upon dissolution of the business.

(w) Loans of shares or certificates of stock, including intra-office borrowings.

ART. 35. *Sales or transfers not subject to tax.*—The following are examples of transactions not subject to the tax:

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(e) The transfer of the stock of a merged corporation in exchange for stock of the merging corporation at the time and as a part of a statutory merger, and the substitution of new certificates for the certificates representing the old stock of the merging corporation.

(f) The surrender of stock for extinguishment or in exchange for new certificates to be issued without change of legal title.

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(h) The transfer of stock from the name of a deceased or resigned trustee to the name of a substituted trustee appointed in accordance with the terms of the original

trust agreement, which is a transfer resulting wholly by operation of law.

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(r) Transfers of shares or certificates of stock which result wholly by operation of law are not subject to the tax. Transfers of this character are those which the law itself will effect without any voluntary act of the parties, such as transfer of stock from decedent to executor.

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ART. 136. *Parties to taxable instrument liable.*—Any party to a taxable transaction is responsible to the Government for affixing and canceling stamps in the required amount. The law does not prohibit parties in interest from entering into an agreement as to which of them shall actually pay same.